Overseas, actions taken by Eagle Star's South African business were effective in halving its underwriting loss to £4 million, despite levels of crime remaining high.
Financial services continued

At Eagle Star Re both gross written premiums and underwriting profit were lower.

Total investment return was £119 million, an improvement of £60 million, benefiting from a strong rise in investment markets in 1995.

In the life business, worldwide gross premium income was much reduced at £418 million. Single premium and unit trust sales were lower, especially in the UK, although new annual premiums were at a comparable level to last year. Overseas premium income rose by 6 per cent and, in the second quarter, expansion continued with a new branch in Argentina. Net profit transfers from the life business were similar to last year.

During the second quarter, Allied Dunbar acquired the Save and Prosper sales force as part of the strategy to expand its

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direct sales operation.

Current trading conditions for life assurance in the UK remain challenging and total premium income was 20 per cent lower at £699 million. Allied Dunbar's contribution to Group profit was, however, maintained at £84 million.

Life new business premiums were down by only 5 per cent, and pensions by 7 per cent, as Allied Dunbar continued to gain market share in these two important sectors. The lack of consumer confidence continued to affect sales of investment products, where premiums were 51 per cent lower.

The Group's share of profit from Canada Trust rose strongly to just under £40 million, with an improved operating performance and lower provisions for losses on property investment.

ACCOUNTING POLICIES

The unaudited Group results have been prepared under the historical cost convention and in accordance with applicable accounting standards using the accounting policies set out in the report and accounts for the year ended 31 December 1994. The treatment of foreign currencies is shown below.

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FOREIGN CURRENCIES

The results of overseas subsidiary and associated undertakings have been translated to sterling as follows:

Revenue and operating profit - at average rates of exchange for the year to 31 December 1994 (constant rates of exchange). Operating profit for 1995 has been restated using average rates of exchange for the six months to 30 June 1995 (current rates of exchange), giving rise to the disclosed exchange differences. Net interest and other items beneath operating profit - for 1995 at current rates of exchange and for 1994 at constant rates of exchange.

For high inflation countries, the translation from local currencies to sterling makes allowance for the impact of inflation on local currency results.

Principal exchange rates used were as follows:

	Constant	Current

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US dollar	1.53	1.59
Canadian dollar	2.09	2.21
Deutschmark	2.48	2.28

FINANCIAL SERVICES REVENUE

Financial services revenue includes fees received from the management of the Farmers' exchanges but excludes the premium income of those exchanges. If revenue is restated to include the Farmers' exchanges, the combined net written premium income at constant rates for subsidiary undertakings and the exchanges would amount to £4,833 million (1994 £4,998 million).

DISCONTINUED OPERATIONS

The profit on sale of discontinued operations in 1994 arises from the disposal of Willards Foods Division by the Group's South African subsidiary, Utico Holdings Limited.

INTEREST

Net interest paid has increased by £16 million due to the additional financing costs arising from acquisitions made

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during 1994.
TAXATION

	6 months to 30.6.95 £m	30.6.94 £m
UK	84	53
Overseas	276	203
B.A.T Industries and subsidiary undertakings	360	256
Share of associates	46	37
	406	293
Effective tax rate	35.3%	31.1%

The 1994 half year tax charge benefited from the payment of a FID in respect of 1993, as the declaration of that FID was made after the 1993 results were published. The FID in

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respect of the 1994 final dividend, although paid in 1995, was included in the 1994 published annual results and will not, therefore, benefit the 1995 tax charge.

DIVIDENDS

The Directors have declared an interim dividend out of the profit for the twelve months to 31 December 1995, for payment on 3 January 1996, at the rate of 9.25p per share on the Ordinary Shares (1994: 8.50p per share). The cost of this interim dividend amounts to £285 million (1994: £262 million).

Valid transfers received by the Registrar of the Company up to 15 August 1995 will be in time to rank for payment of the interim dividend.

A final dividend for 1995 will be announced on 6 March 1996 (1994: 8 March 1995).

Shareholders will be given the alternative of receiving their dividend in the form of fully paid Ordinary Shares or in a combination of cash and Ordinary Shares.

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Copies of this Report will be posted to shareholders and may also be obtained during normal business hours from the Company's Registered Office at Windsor House, 50 Victoria Street, London SW1H 0NL.

D Wilson
Secretary
26 July 1995

END

B.A.T INDUSTRIES PLC

The provisional Ex Dividend date for the Ord Shs will be 7 August 1995.

END

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